

STATEMENT
OF
H. E. SHEAR
MARITIME ADMINISTRATOR

ON

BEHALF OF

THE

MARITIME ADMINISTRATION
DEPARTMENT OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON MERCHANT MARINE
OF THE
HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE

ON THE

PASSENGER CRUISE SHIP INDUSTRY.

MAY 7, 1985

STATEMENT OF ADMIRAL HAROLD E. SHEAR, MARITIME ADMINISTRATOR,
DEPARTMENT OF TRANSPORTATION, AT THE OVERSIGHT HEARING OF THE
SUBCOMMITTEE ON MERCHANT MARINE OF THE HOUSE MERCHANT MARINE AND
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Mr. Chairman and Members of the Subcommittee on Merchant Marine.

It is a pleasure to appear this morning to present the views of the Administration with respect to the American passenger cruise ship industry.

The passenger cruise ship industry operates out of U.S. ports in the international and domestic trades. The domestic cruise trades are reserved to U.S.-flag and U.S.-built vessels by the Jones Act (46 App. U.S.C. 289).

The Administration strongly supports the U.S.-flag cruise ship industry and the Jones Act. Shortly after the change in Administration in 1981 there was a general review of United States maritime policy. One of the results of that review was a strong endorsement of the Jones Act. The Secretary of Transportation stated in 1982 that the Administration reaffirms the sanctity of the Jones Act. That continues to be the Administration policy.

Your letter of invitation asked that the Administration address a number of policy concerns regarding use of foreign-built or rebuilt cruise ships in the U.S. coastwise trades. The responses are in the context of the Administration's full support of the Jones Act.

Consistent with that position the Administration would not support, and would strongly oppose, any amendment to the Jones Act that would allow on a permanent or on a "temporary window" basis an unrestricted number of foreign-built cruise ships to operate in our coastwise trades. For the same reason the Administration would strongly oppose any general amendment to the Jones Act that would allow an unlimited number of U.S.-flag domestic cruise ships to be partially built or rebuilt in foreign shipyards.

With respect to whether there could be a limited number of foreign-built cruise ships permitted with some restriction to have coastwise trading privileges, in the abstract, I cannot state that the Administration would never support a very limited and carefully conditioned amendment to the Jones Act for one or more foreign cruise ships. Each particular legislative proposal will have to be reviewed.

The Administration's consideration of any such legislative proposal would include the impact on existing and anticipated U.S.-flag cruise operations, the impact on U.S. shipbuilding, the impact on the U.S. seafaring and general workforce, the conditions placed on owners and operators receiving such privileges, the number and characteristics of the foreign ships, compliance with safety, regulatory and environmental standards, and the specific

time period involved. The circumstances justifying any statutory change will have to be consistent with the commitment of this Administration to maintain the integrity of the Jones Act.

There now exists a modest U.S.-flag passenger cruise ship industry in the Jones Act trades. American Hawaiian Steamship Company operates two large, traditional passenger/cruise vessels in the Hawaiian Islands. The remainder of the domestic cruise market is currently served by smaller vessels such as river steamboats, excursion boats, and coastwise vessels. These ships offer cruises between U.S. ports on the inland waterways or along the U.S. coast.

Currently, only foreign-flag operators serve the international cruise market. Although U.S.-flag vessels in the domestic cruise trades do not directly compete with foreign-flag cruise vessels in the international cruise market, they do compete for the same vacation dollar. The enactment of Public Law 97-424, approved January 6, 1983, could prove to be of assistance to present and prospective U.S.-flag cruise operators in the domestic cruise market. Section 543 of that Act allows up to \$2000 in expenses incurred by participants in business functions on board U.S.-flag cruise vessels to be deducted from taxable income. This tax deduction does not apply to the participants of similar functions on foreign-flag cruise vessels.

Mr. Chairman. I believe that there is a market for additional U.S.-flag cruise vessels in the domestic trade. About 1.5 million Americans took cruises last year. I believe that many of those passengers would have booked on U.S.-flag cruise vessels if they had been available.

Several projects have potential to provide large ocean-going U.S.-flag ships that will serve the cruise trade and be available in time of national emergency to serve as troop transports and hospital ships. Among these projects are the following that are active.

U.S. Cruises, Inc. plans to place the SS UNITED STATES back in service. The company has signed construction contracts subject to finalizing a financial package. It has spent a great deal of time and money on the project. It appears the company may be nearing the final stage of completing this endeavor.

Adventure Cruise Lines, Inc. has applied for a federal guarantee under Title XI of the Merchant Marine Act, 1936, as amended, to aid in the financing of a large U.S.-flag passenger vessel to operate in the American cruise trade. A contract for design drawings has been signed, but the construction contract has not been executed as yet.

I have also had discussions with Mr. Barry Snyder, President of Signet Cruise Lines, regarding their proposal to build two large-U.S.-flag cruise vessels. I understand Mr. Snyder will be testifying this morning, and he can give you further details.

Mr. Chairman. In summary, the Administration has aggressively promoted U.S.-flag cruise ship projects that are economically viable and financially sound, and will continue to do so. At the same time it has and will fully support the Jones Act.

That concludes my prepared testimony. I will be pleased to answer any questions that you or the Subcommittee Members may have.